

## WHATSAPP FOUNDERS SWAP STRUGGLE FOR BILLIONAIRE STATUS

**SAN FRANCISCO:** Jan Koum, an immigrant from Ukraine, was so poor as a teenager that he used saved his old Soviet notebooks for school and queued with his mom for food stamps.

Brian Acton lost a small fortune in the dot-com bust and was rejected for jobs at Twitter and Facebook. Now, the friends behind the hot mobile messaging startup WhatsApp are the newest tech industry billionaires.

Facebook this week bought WhatsApp in a stock-and-cash deal worth up to \$19 billion and gave Koum a seat on the social network's board of directors. Koum signed the Facebook takeover contract at the unused building where he and his mother once queued for food stamps in the Silicon Valley city of Mountain View, where WhatsApp is located, according to Forbes Magazine.

Koum, who turned 38 on Sunday, has described growing up as a rebellious Jewish child near Kiev and having little when he immigrated to California at with his mother the age of 16 just after the Soviet Union's breakup.

His father did not make it to the United States, where the family sought to escape anti-Semitism and oppressive tactics of secret police.

### Soviet childhood

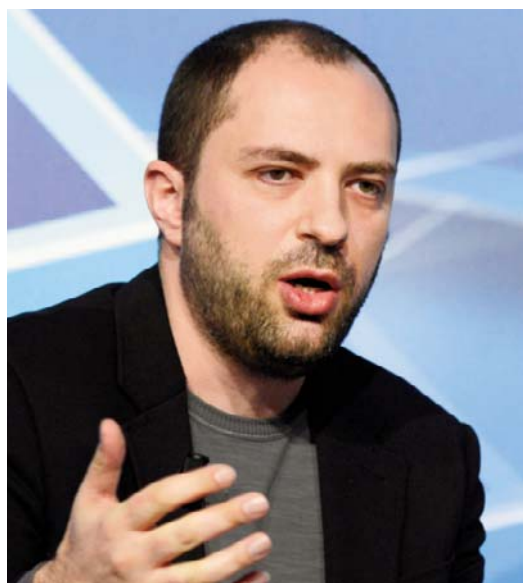
"Jan's childhood made him appreciate communication that was not bugged or taped," Sequoia Capital partner Jim Goetz said in an online post.

"When he arrived in the US as a 16-year-old immigrant living on food stamps, he had the extra incentive of wanting to stay in touch with his fami-

ly in Russia and the Ukraine."

Koum's mother brought with her a cache of pens and Soviet-issued notebooks to save money on school supplies, according to Forbes magazine. A self-described trouble-maker at school, Koum had a job sweeping the floors in a grocery store. After his mother was diagnosed with cancer, they got by on disability payments, Forbes reported.

Koum learned computer networking from man-



Co-founder and CEO of Whatsapp Jan Koum.

uals bought from, and eventually returned to, a used book store, according to the account. He enrolled in a state university in Silicon Valley and was working on the side with a computer security firm when he met Acton while on assignment at Yahoo in 1997.

Acton was employee number 44 at the Sunnyvale, California-based Internet firm and shared a "no-nonsense" attitude with Koum. Within a year, Koum was working as an engineer at Yahoo and the pair were on their way to being close friends. Koum eventually chose Yahoo over college. When Koum's mother died of cancer in 2000, his mentor Acton stepped in with support. Acton, meanwhile, reportedly lost millions investing during the famous dot-com boom that ended with an infamous dot-com bust.

Acton and Koum left Yahoo in 2007 and took a year off, exploring South America and playing the sport of Ultimate Frisbee, according to Forbes. They both applied for jobs at Facebook after coming home. Both were rejected. In a Twitter post from 2009, Acton said that an effort to win a job at one-to-many messaging service Twitter was rebuffed.

Koum was living off dwindling savings when the iPhone and Apple's online App Store prompted a certainty that an exciting new frontier was opening.

He tapped into the local Russian immigrant community to pursue his idea of a smartphone messaging service synched to people's contact lists. Koum enlisted Acton, who was jobless and

devoting energy to a less promising startup.

Koum and Acton in 2009 founded WhatsApp, which took its name from a play on the phrase "What's Up?"

### No Ads, no gimmicks

They devoted themselves to a credo of "No Ads. No Games. No Gimmicks." A note stating just that and signed by Acton remains taped to Koum's desk, according to venture capital firm Sequoia, which invested in the startup early.

The "contrarian approach" of gathering no information about users for targeting ads was shaped by Koum's aversion to tactics of secret police in communist countries, Goetz said in an online note.

The formula led to stunning growth to more than 450 million users, with 50 billion messages handled daily. The founders jokingly described themselves at the website as "two guys who spent a combined 20 years doing geeky stuff at Yahoo!"

Koum describes himself in his Twitter account profile with a Kanye West quote, "We on a galaxy the haters cannot visit." Koum has nearly 12,000 followers at Twitter but follows only "Jesus Christ, Silicon Valley," an account devoted to Internet industry humor.

In a conference call discussing the acquisition, Facebook chief and founder Mark Zuckerberg described Koum as being a "valuable thought partner" for several years. WhatsApp is a platform for sending images, video, audio, or text messages for free over the Internet using data connections of smartphones. — AFP

## SMARTPHONE GIANTS SCRAMBLE FOR PROFITS IN TOUGH MARKET

### SONY MOBILE ENTERS THE FRAY FOR WEARABLE DEVICES

**BARCELONA:** Smartphone giants released eye-catching new devices as the world's biggest mobile fair opened yesterday, fighting for new ways to profit in a tougher market.

Besides a slew of sleek, new premier smartphones, the world's biggest smartphone maker Samsung and its rivals unveiled an array of smart watches and bracelets to unlock new revenues.

The four-day Mobile World Congress in Barcelona, Spain, opens after a deceptively buoyant 2013, when sales surged 42.3-percent to 968 million units.

The growth was powered almost entirely by developing markets, however, disguising a slowdown in mature markets such as Western Europe and the United States, which are the most profitable. Samsung faces other significant challengers for potential customers' wrists both at home and abroad. Hours after Samsung launched the Gear 2, rising Chinese smartphone maker Huawei revealed a connected watch of its own. Huawei, already a major force in building mobile networks and the world number three smartphone maker in 2013, showed off its TalkBand, to be sold for 99 euros (\$136). South Korean manufacturer LG said on the same day that it would launch its first smartwatch in 2014.

Sony revealed its Xperia Z2 smartphone yesterday, the first new edition of its flagship device since it announced this month the sale of its stagnant PC business to focus instead on smartphones and tablets.

The waterproof phone, available from March, has a full high definition 5.2-inch screen and a 20.7 megapixel camera that can take ultra-high resolution 4K video, along with noise-cancelling audio. The struggling Japanese group revealed, too, an Xperia Z2 Tablet, also waterproof, and a more affordable Xperia M2 smartphone.

But Sony Mobile also entered the fray for wearable devices, releasing the SmartBand SWR10, a bracelet that comes with an application allowing users to log events and photographs taken during the day as well as tracking



BARCELONA: A visitor looks at a mobile device at the Mobile World Congress in Barcelona, on February 24, 2014. — AFP

how far they walk and checking their sleep cycle. "Our SmartWear experience goes far beyond health and fitness," Sony Mobile chief executive Kunisama Suzuki boasted.

### Zuckerberg is star speaker

At the same time, the online world is elbowing its way into the mobile market. Facebook's 29-year-old founder Mark Zuckerberg is the star speaker on the opening day of the fair in Barcelona, fresh from his \$19 billion (14-billion-euro) takeover of smartphone messenger WhatsApp.

He has come a long way in the mobile world in a short time. When Facebook sold its shares

to the public in an initial public offering in May 2012, "it literally had no mobile advertising revenues," said Eden Zoller, analyst at the research house Ovum.

"It did actually have a pretty strong mobile user base at IPO but what it had failed to do at that time was actually monetise those mobile users," she said.

But the social network-boasting more than 1.2 billion members-quickly repaired its strategy. By the end of 2013 mobile devices accounted for 53 percent of Facebook's advertising revenue, bringing in \$1.2 billion in the last quarter and more than \$3 billion over the whole year. — AFP

## WHATSAPP TO ALLOW FREE VOICE CALLS BY MID-YEAR

**BARCELONA:** Fresh from a \$19-billion (14-billion-euro) takeover by Facebook, mobile messaging service WhatsApp said yesterday it will launch free voice calls by mid-year.

The introduction of free calls, revealed on the opening day of the four-day World Mobile Congress in Barcelona, Spain, would match rival application Viber's similar offering. "We are going to introduce voice on WhatsApp in the second quarter of this year," WhatsApp founder Jan Koum said.

Facebook, whose 29-year-old billionaire creator Mark Zuckerberg was the star speaker on the opening day of the industry fair, announced a stock and cash purchase of WhatsApp on Wednesday.

"Five years ago we had no users, no product," said Koum. "Today we have 465 million active users," he said, adding that the company still had no marketing, relying mostly on word of mouth to prosper. WhatsApp had not planned any changes in the light of the Facebook takeover, Koum said.

"Mark really understands that for WhatsApp to stay successful it really needs to stay independent," he said. Viber, one of WhatsApp's key rivals, offers free voice and messaging. Japanese online shopping group Rakuten announced this month it would buy Viber's Cyprus-based developer, Viber Media, for \$900 million.

### 'A brilliant move'

Facebook's \$19-billion deal for the red-hot mobile messaging service WhatsApp is a savvy strategic move by the world's biggest social network, even if the price tag is staggeringly high, analysts say.

The agreement unveiled-seen as the largest for a venture-backed tech startup-gives Facebook entry into emerging markets and importantly keeps the free-messaging app out of the hands of rivals such as Google.

"Although the deal appears to be pricey... we think that it has compelling strategic logic," Shebly Seyrafi at FBN Securities said in a research note Thursday. While Facebook is paying a high price by any measure, Seyrafi said "we see other benefits to the deal," pointing out WhatsApp's big user base in countries such as Brazil, South Africa and China.

"We think that in addition to the revenue obtainable from WhatsApp itself, Facebook will benefit from better integration... that will make Facebook more engaging while driving further growth internationally and in mobile," the analyst said.

Facebook shares shook off early declines and rose 2.3 percent to close at \$69.63, despite the fact that the company is diluting its value with the massive cash-and-stock acquisition. The purchase includes \$12 billion in Facebook shares and \$4 billion cash. It calls for an additional \$3 billion in restricted stock units to be granted to WhatsApp founders and employees that will vest over four years.

Analyst Stephen Ju at Credit Suisse said the move appears to make sense from a long-term viewpoint. "Looking past the sticker shock of \$19 billion... we view this as an offensive move to gain additional share of the consumer's time spent-which should

engender additional opportunities for monetization," he said.

### Key in emerging economies

Trip Chowdhry at Global Equities Research called the move a "very smart and an essential acquisition for Facebook," because WhatsApp works on less expensive "feature phones" still predominant in emerging economies such as India.

"Most of the developing world still is on the feature phone, as the majority cannot afford a smartphone," Chowdhry said. "WhatsApp is the only application that runs equally well on feature phones and on smartphones."

Deutsche Bank analyst Ross Sandler said Facebook's acquisition of WhatsApp "solidifies its position as the top company in mobile globally" excluding China, where Facebook is banned.

Sandler said that even though Facebook is not planning to deliver ads on WhatsApp for now, this may change over time. "We believe that as users become accustomed to native mobile advertising and as the quality of the various monetization strategies improve, we expect opportunities to emerge," he said in a note to clients.

Victor Anthony at Topeka Capital Markets said the deal will help diversify Facebook with a broader set of mobile services. "As was the case with PayPal, YouTube and Instagram, hindsight will be the best judge of how valuable this acquisition will be," Anthony said in a research note.

"The valuation appears reasonable on a per user basis. From what we see, the acquisition makes strategic sense and the combined company will likely accelerate user growth of both platforms, similar to what we see with Instagram."

### Staving off Google threat

Jack Kent at IHS Technology said the move helps Facebook "neutralize a competitive threat." "To understand Facebook's rationale, the focus must be on the cost of Facebook not buying WhatsApp rather than the price Facebook paid for WhatsApp," Kent said. "Facebook could not risk WhatsApp's 450 million monthly and 315 million daily active users falling into the hands of a competitor such as Google." Fellow IHS analyst Eleni Marouli said the deal allows Facebook to get better data on users worldwide, which has value in itself.

"WhatsApp's strong presence in key emerging markets such as Brazil and India will provide Facebook with insights in countries that are still largely under-monetized," Marouli said.

"Building good mobile data on consumers in these markets is essential as they are not only mobile-first in their use of the Internet, but often mobile-only." Youssef Squali at Cantor Fitzgerald pointed out that Facebook may be able to use WhatsApp to create a new kind of telecom service which has not existed so far. "While WhatsApp is currently a cross-platform mobile messaging service, it is likely to morph into a gateway for global calling and video solutions over time, dramatically expanding its revenue potential," the analyst said. — AFP

## FIREFOX TO POWER \$25 SMARTPHONE

**BARCELONA:** Firefox OS, an upstart smartphone operating system aimed a challenging the Apple and Google duopoly, will power a new category of \$25 smartphones for developing countries, the California-based nonprofit Mozilla Foundation said Sunday.

Mozilla sought to show off the success of its system, launched a year ago to prise open a market in which Google's Android was at the heart of 78.4 percent of all smartphones sold last year and Apple's iOS in another 15.6 percent, according to figures from technology research house Gartner Inc. On the eve of the opening on Monday of the four-day Mobile World Congress in Barcelona, Spain, Mozilla announced the commercial launch of seven new devices using Firefox OS including Chinese handset maker ZTE's smartphones Open C and Open II, as well as a range of Alcatel OneTouch tablets. "We are also enabling a whole new category of smartphone, priced around \$25 (18 euros), that will bring even more people around the world online," said Mozilla chief operating officer Jay Sullivan.

The entry-level smartphone would rely on integrated circuits made by Chinese electronics manufacturer Spreadtrum, he said. Firefox OS is off to an amazing start. We launched our first smartphones in July, and have since expanded into 15 markets," Sullivan said. People in Latin America and Eastern Europe had upgraded from simple "feature phones" to Firefox OS smartphones with downloadable applications and Internet access, he added.

"Sales have far exceeded our targets. But 2013 was just the beginning. In 2014, we are differentiating our user experience and our partners are growing the portfolio of devices."

In 2014, Spanish giant Telefonica will sell Firefox OS-based devices in another seven countries, mostly in South America, Sullivan said. Mozilla did not say how many Firefox-powered smartphones have been sold since the system's launch last July.

The foundation did say, however, that it expected Firefox OS to spread to other devices including smart televisions. —AFP



BARCELONA: A device with the new Firefox OS is presented at the Mobile World Congress in Barcelona, yesterday. — AFP

## LG TO LAUNCH NEW SMARTWATCH

**SEOUL:** LG will launch its first smartwatch in 2014, the head of its mobile unit said yesterday, tapping into the nascent market for wearable devices seen as the mobile industry's new source of growth.

The announcement from the South Korean smartphone maker came after industry leader Samsung on Sunday launched the second generation of its own Internet-enabled smartwatch, the Gear 2. "We are working on the development of wearable device... more specifically in the form of a watch," Park Jong-Seok, the CEO of LG Electronics' mobile unit, told reporters. "(It) will come out this year," he said, adding the watch would be remotely linked to smartphones. "We're working hard to put on the table

something that other companies have not offered yet," Park said, without elaborating further. LG-the world's fourth-largest smartphone maker-has not yet entered the market for wearable devices currently dominated by firms like Samsung, Sony and Pebble.

Rising Chinese smartphone maker Huawei also unveiled Sunday a connected watch called TalkBand to rival Gear 2, on the eve of the world's biggest mobile fair in Barcelona, Spain.

A typical smartwatch allows users to make calls, receive texts and emails, take photos and access apps. So far, few companies have managed to generate large consumer excitement or sales in the market, also eyed by firms like Apple and Google. —AFP